

# HOUSE BILL No. 1102

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 24-11.

**Synopsis:** Patent protection. Prohibits a person from asserting a claim of patent infringement in bad faith. Provides that a court may, upon motion, require a person to post a bond if the target establishes a reasonable likelihood that the person has made an assertion of patent infringement in bad faith. Establishes remedies, damages, and civil penalties.

**Effective:** July 1, 2015.

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January 8, 2015, read first time and referred to Committee on Judiciary.

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First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

## HOUSE BILL No. 1102

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A BILL FOR AN ACT to amend the Indiana Code concerning trade regulation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 24-11 IS ADDED TO THE INDIANA CODE AS  
2       A **NEW ARTICLE** TO READ AS FOLLOWS [EFFECTIVE JULY 1,  
3       2015]:

4       **ARTICLE 11. BAD FAITH ASSERTIONS OF PATENT**  
5       **INFRINGEMENT**

6       **Chapter 1. Application**

7       **Sec. 1. This article does not apply to a demand letter or**  
8       **assertion of patent infringement that includes a claim for relief**  
9       **arising under:**

10       **(1) 35 U.S.C. 271(e)(2); or**

11       **(2) 42 U.S.C. 262.**

12       **Chapter 2. Definitions**

13       **Sec. 1. The definitions in this chapter apply throughout this**  
14       **article.**

15       **Sec. 2. (a) "Demand letter" means a letter, electronic mail, or**



any other written, including electronic, communication asserting that a target has engaged in patent infringement.

(b) The term does not include a complaint alleging patent infringement, or other documents related to an action for patent infringement, filed:

- (1) in a United States District Court; or
- (2) with the International Trade Commission.

Sec. 3. "Person" means an individual, a corporation, a limited liability company, a partnership, or other legal entity.

Sec. 4. "Target" means any of the following:

- (1) An Indiana person who has received a demand letter or against whom an assertion of patent infringement has been made.
- (2) An Indiana person who has been threatened with litigation for patent infringement or against whom a lawsuit has been filed alleging patent infringement.
- (3) An Indiana person whose customer has received a demand letter asserting that the person's product, service, or technology has infringed a patent.

### Chapter 3. Assertions of Patent Infringements in Bad Faith Prohibited

Sec. 1. A person may not assert a claim of patent infringement in bad faith.

Sec. 2. (a) A court may consider the following factors as evidence that a person has made an assertion of patent infringement in bad faith:

- (1) The person distributed a demand letter that does not contain all the following information:
  - (A) The patent number of the patent that the person claims is being infringed.
  - (B) The name and address of:
    - (i) a patent owner;
    - (ii) if applicable, any assignee of the patent; and
    - (iii) if applicable, a patent owner's or assignee's agent who is retained by the patent owner or assignee to enforce the patent.
  - (C) Factual allegations identifying specific areas in which the target's products, services, and technology infringe the patent or are covered by the claims in the patent.
- (2) The person fails to:
  - (A) conduct an analysis comparing the claims in the patent to the target's products, services, and technology; or



- 1 (B) identify, if the person conducts an analysis described in
- 2 clause (A), specific areas in which the target's products,
- 3 services, and technology are covered by the claims in the
- 4 patent.
- 5 (3) If the demand letter does not contain the information
- 6 described in subdivision (1), the person that distributed the
- 7 demand letter fails to provide the information within a
- 8 reasonable amount of time after the target requests the
- 9 information.
- 10 (4) The person demands:
- 11 (A) payment of a license fee; or
- 12 (B) a response from the target;
- 13 within an unreasonably short period of time.
- 14 (5) The person offers to license the patent for an amount that
- 15 is not based on a reasonable estimate of the value of the
- 16 license.
- 17 (6) The claim or assertion of patent infringement is meritless,
- 18 and the person knew, or should have known, that the claim or
- 19 assertion is meritless.
- 20 (7) The claim or assertion of patent infringement is deceptive.
- 21 (8) The person or the person's subsidiaries or affiliates have
- 22 previously filed or threatened to file a lawsuit based on the
- 23 same or similar claim of patent infringement and the:
- 24 (A) filing or threats to file lacked the information
- 25 described in subdivision (1); or
- 26 (B) person attempted to enforce the claim of patent
- 27 infringement in litigation and a court found the claim to be
- 28 meritless.
- 29 (9) Any other factor the court finds relevant.
- 30 (b) A person may not use the failure of a target to request any
- 31 information described in subsection (a)(1) that is not contained in
- 32 the demand letter as a defense to an action under this chapter.
- 33 Sec. 3. A court may consider the following factors as evidence
- 34 that a person has not made a bad faith assertion of patent
- 35 infringement:
- 36 (1) The demand letter contains the information described in
- 37 section 2(a)(1) of this chapter.
- 38 (2) If the:
- 39 (A) demand letter lacks the information described in
- 40 section 2(a)(1) of this chapter; and
- 41 (B) target requests the information;
- 42 the person provides the information to the target within a



reasonable period of time.

(3) The person engages in a good faith effort to:

(A) establish that the target has infringed the patent; and

(B) negotiate an appropriate remedy.

(4) The person makes a substantial investment in the:

(A) use of the patent; or

(B) production or sale of a product or item covered by the patent.

(5) The person:

(A) is:

(i) the inventor or joint inventor of the patent; or

(ii) if the patent was filed by and awarded to an assignee of the original inventor or joint inventor, the original assignee; or

(B) is one (1) of the following:

(i) An approved postsecondary educational institution (as defined in IC 21-7-13-6(a)).

(ii) A technology transfer organization owned or affiliated with an approved postsecondary educational institution (as defined in IC 21-7-13-6(a)).

(6) The person has:

(A) demonstrated good faith business practices in previous efforts to enforce the patent or a substantially similar patent; or

(B) successfully enforced the patent, or a substantially similar patent, through litigation.

(7) Any other factor the court finds relevant.

#### **Chapter 4. Bond**

**Sec. 1. (a)** Subject to subsection (c), upon motion by a target and a finding by the court that a target has established a reasonable likelihood that a person has made a bad faith assertion of patent infringement in violation of this chapter, the court shall require the person to post a bond in an amount equal to a good faith estimate of the target's costs to litigate the claim and amounts reasonably likely to be recovered under IC 24-11-5, conditioned upon payment of any amounts finally determined to be due to the target.

**(b)** A hearing shall be held upon the request of either party.

**(c)** A bond ordered under this section may not exceed two hundred fifty thousand dollars (\$250,000).

**(d)** The court may waive the bond requirement if the court finds the person has available assets equal to the amount of the proposed bond or for other good cause shown.



**Chapter 5. Enforcement; Remedies; Damages**

**Sec. 1. (a) The attorney general may maintain an action in the name of the state of Indiana to enjoin a person from violating this chapter. A court in which the action is brought may:**

- (1) issue an injunction;**
- (2) order the person to make restitution;**
- (3) order the person to reimburse the state for the attorney general's reasonable costs of investigating and prosecuting the violation; and**
- (4) impose a civil penalty of not more than ten thousand dollars (\$10,000) per violation.**

**(b) A person that violates an injunction issued under this section is subject to a civil penalty of not more than ten thousand dollars (\$10,000) per violation. The court that issues the injunction retains jurisdiction over a proceeding seeking the imposition of a civil penalty under this subsection.**

**(c) A civil penalty imposed and collected under this section shall be deposited in the state general fund.**

**Sec. 2. (a) A target, or a person aggrieved by a violation of:**

- (1) this chapter; or**
- (2) rules adopted under this chapter;**

**may bring an action in a court with jurisdiction.**

**(b) A court may award any or all of the following to an individual who prevails in an action under subsection (a):**

- (1) Declaratory or equitable relief.**
- (2) Reasonable attorney's fees, litigation expenses, and costs.**
- (3) Actual damages.**
- (4) Punitive damages in the amount of the greater of:**
  - (A) fifty thousand dollars (\$50,000); or**
  - (B) three (3) times the amount of actual damages.**

**Sec. 3. The enforcement proceedings, private right of action, remedies, and penalties established under this chapter are:**

- (1) cumulative; and**
- (2) in addition to any other enforcement proceedings, private right of action, remedies, and penalties available under any other state or federal law, rule, or regulation relating to assertions of patent infringement.**

